

Fiscal Year 2009 U.S. Trade Forecasts for Agricultural Products

Changes in 2009 Forecast Since November

AgExports lowered \$3.0 billion to \$95.5 billion

AgImports raised \$1.5 billion to \$82.5 billion

AgSurplus lowered \$4.5 billion to \$13.0 billion

Compared to FY 2008...

AgExports down \$20.0 billion from \$115.5 billion

AgImports up \$3.2 billion from \$79.3 billion

AgSurplus down \$23.1 billion from \$36.1 billion

USDA's "Outlook for U.S. Agricultural Trade"
Released on February 26, 2009, 8:30am EST

Slides prepared by Office of Global Analysis/FAS

U.S. Agricultural Trade

Global recession & increased grain competition shape the export outlook. Falling grain volume & prices and lower soybean prices account for 70% of the \$20-billion export loss forecast in 2009. Import growth slows on weaker demand and lower live animal shipments.

Trade Value (\$Billion)



Summary Outlook for FY 2009 AgExports

Global Grain Market: Increased Competition

Global Recession: Weaker Demand, Lower Prices, Stronger Dollar

1) Increased Competition in Global Grain Markets

- ❑ Large foreign exportable wheat supply, the result of record exports from Russia & Ukraine, Europe's crop recovery and a larger Australian crop, and reduced grain demand (especially EU demand) force sharp decrease in prices and lower US wheat & coarse grain shipments

2) Global Financial & Economic Crisis

- ❑ US financial crisis spreads to Europe/Russia (less impact elsewhere); credit mkts prove difficult to unfreeze; deleveraging financial institutions & households takes time
- ❑ World GDP contracts 1-2% in 2009 (2005-07 = +3.8%): recession in US, EU, Japan, & slower growth for all regions; emerging mkts slow from +7.3% (3-yr avg) to about +2.0%
- ❑ Emerging mkts threatened as trade slows, commodity prices fall & currencies adjust
- ❑ But, fiscal policies can cushion downturn & many countries have large reserves

FY 2008 to FY 2009: All Categories Decline Except Horticulture

- ❑ grain & feed (-) \$12.2 billion to \$26.1 billion – vol declines account for two-thirds
- ❑ oilseeds (-) \$4.5 billion to \$18.4 billion – soybeans vol mostly steady, lower prices
- ❑ cotton (-) \$1.2 billion to \$3.6 billion – two-thirds due to vol decline, the rest is price
- ❑ animal products (-) \$3.2 bil to \$19 billion – dairy (-) \$1.3 billion, pork (-) \$520 million, broilers (-) \$550 million, fats & oils (-) \$440 million, hides & skins (-) \$280 million
- ❑ hort. products (+) \$700 million to record \$21.5 billion, but slowest growth in 7 years

Export Outlook for Grain & Feed Products

Revised FY 2009 Forecast: \$2.2 Billion to \$26.1 Billion

Revised 2009 Forecast

Key Developments

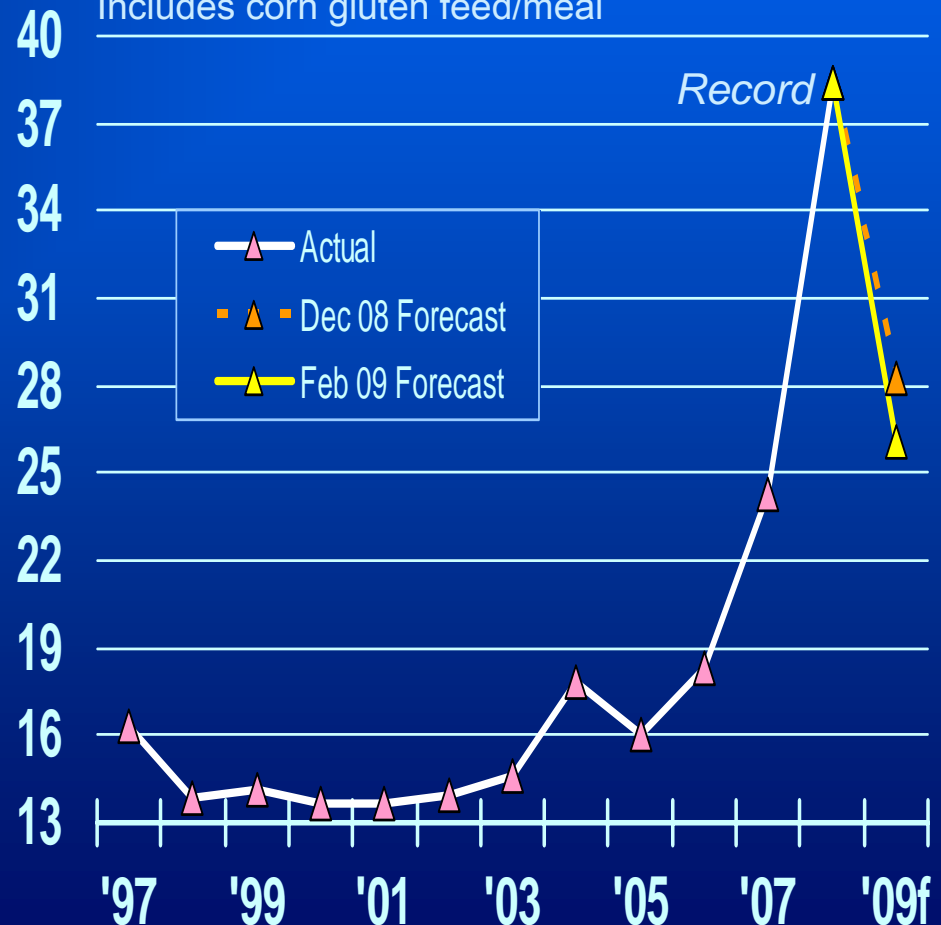
- Corn and sorghum lowered a total of \$1.6 billion on abundant world supplies and weak demand
- Wheat and rice value lowered a combined \$500 million; wheat solely on reduced prices, rice on lower prices and volume
- Wheat export volume unchanged, despite increased world trade

Wild Cards

- Size of S. Hemisphere corn crops
- China's willingness to support exports
- The release and timing of Russian wheat intervention stocks onto markets

Export Value (\$Bil)

Includes corn gluten feed/meal



Export Outlook for Oilseeds & Products

Revised FY 2009 Forecast: **Unchanged at \$18.4 Billion**

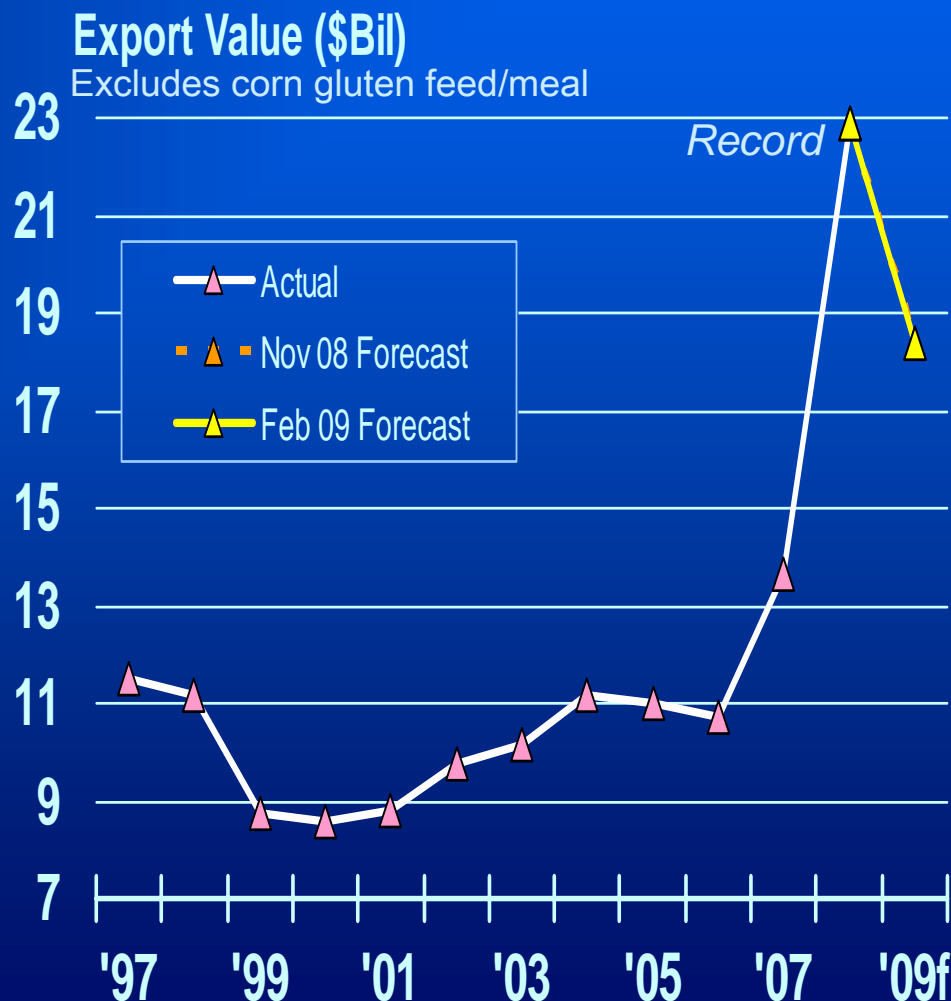
Revised 2009 Forecast

Key Developments

- Sharp downward revision in soybean & soybean oil prices
- Strong sales to China raise soybean exports 3.5 mmt; revision raises total soybean export to record 31.3 million tons
- Increased competition with other oils cuts soy oil export volume

Wild Cards

- Impact of slowing economy and tightening credit markets on demand, particularly in China
- Rainfall in South America



Export Outlook for Cotton

Revised FY 2009 Forecast:  \$400 Million to \$3.6 Billion

Revised 2009 Forecast

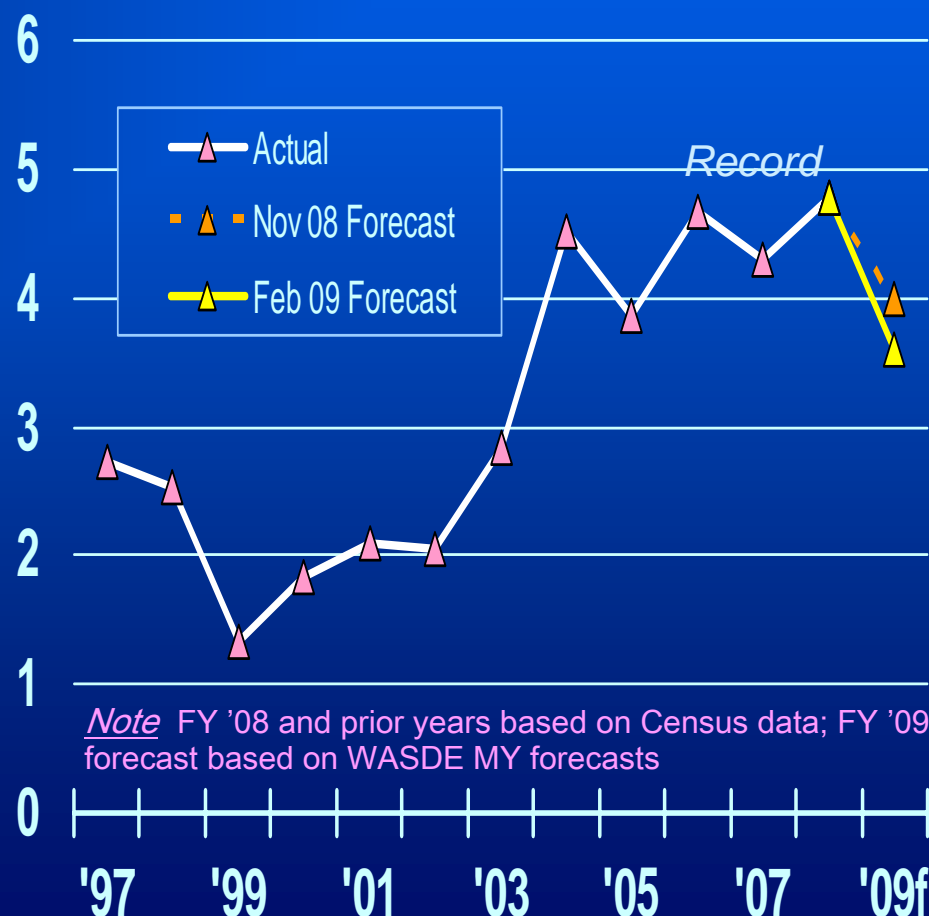
Key Developments

- Deteriorating economic conditions worldwide lead to further reduction in export volume
- Export volume lowered 300,000 tons (11%) due to decreased global import demand
- Forecast for world trade is lowered due to 5.6% drop in world consumption

Wild Cards

- Depth and length of global recession
- Increase in stocks controlled by foreign governments creates greater market uncertainty

Export Value (\$Bil)



Export Outlook for Dairy, Livestock & Poultry

Revised FY 2009 Forecast:  \$1.5 Billion to \$18.9 Billion

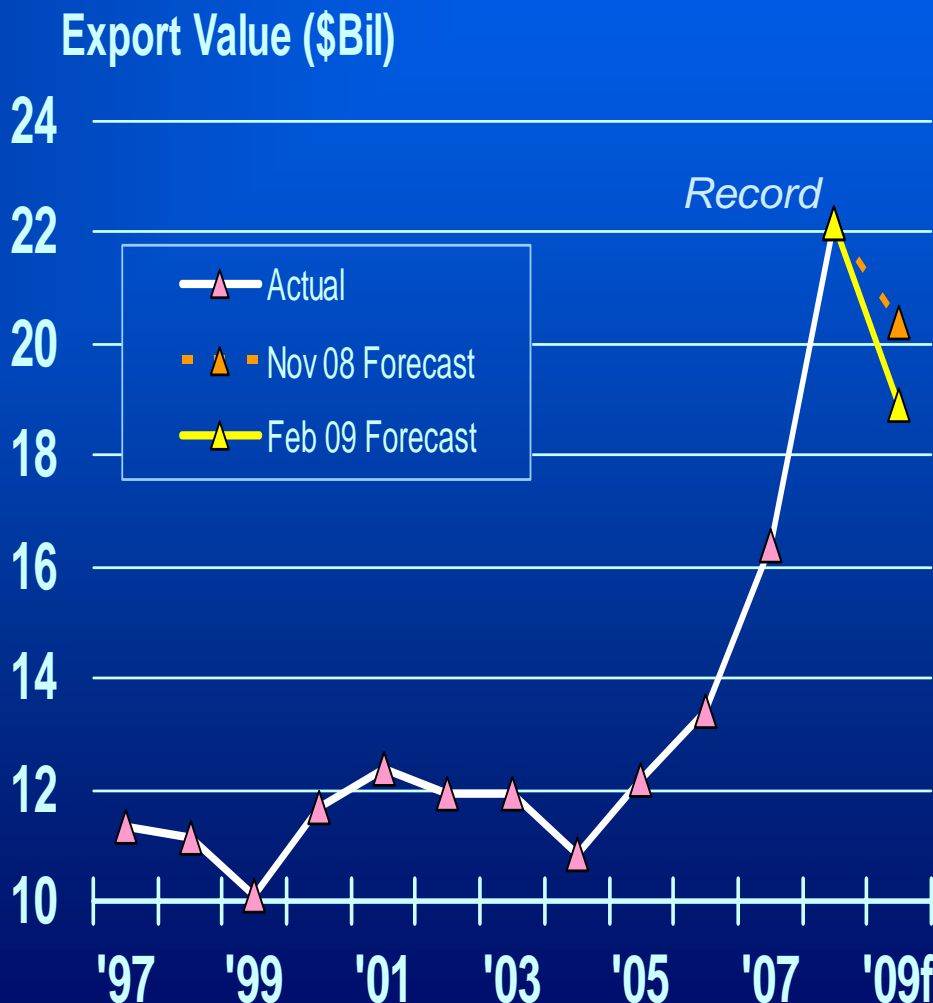
Revised 2009 Forecast

Key Developments

- Pork lowered \$600 million (on lower volume) to \$3.4 billion due to weaker demand & strong dollar
- Dairy cut \$450 million to \$2.7 billion reflecting rapid price decline as world surplus builds
- Animal fats reduced \$260 million due to weak demand for use in animal feed & non-food products and lower veg oil prices
- Hides & skins exports reduced as demand for manufactured products shrinks

Wild Cards

- Impact of economic slowdown on meat demand & exchange rates
- EU dairy export subsidies & greater supplies from Oceania



Export Outlook for Horticultural Products

Revised FY 2009 Forecast: Unchanged at \$21.5 Billion

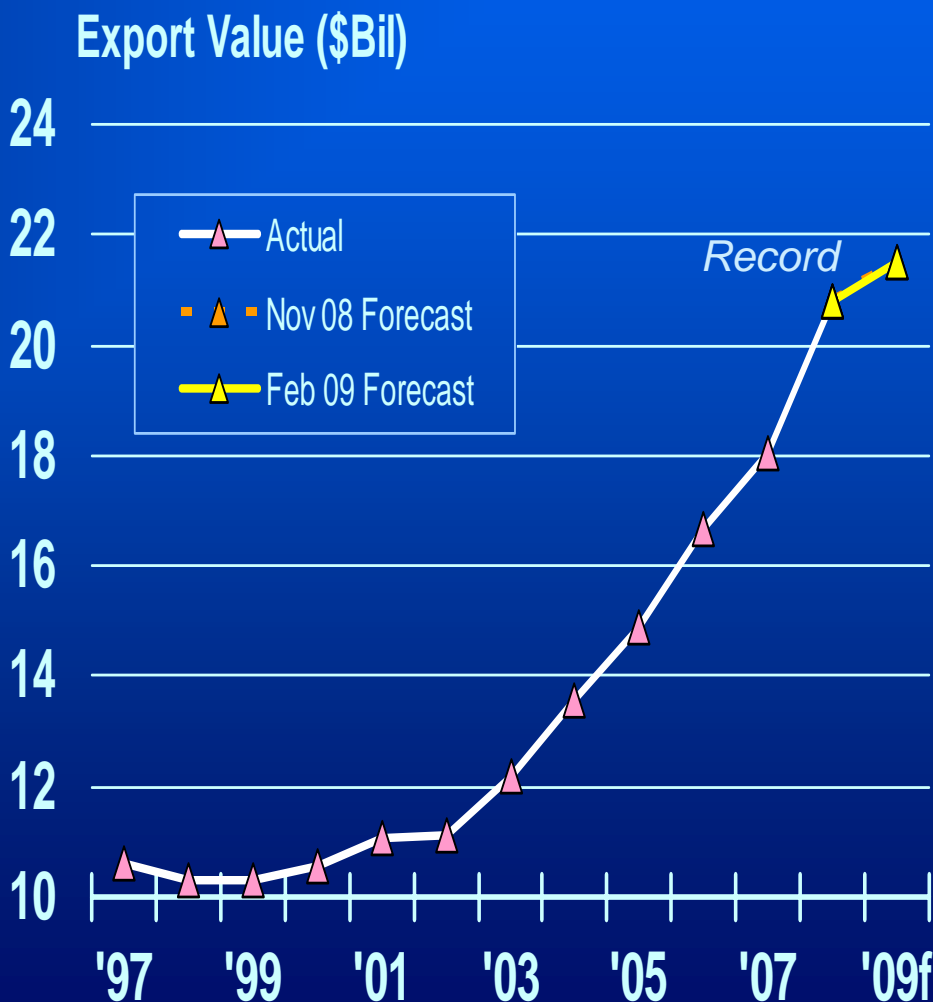
Revised 2009 Forecast

Key Developments

- Export growth remains at 3% due to global recession, the slowest rate in 7 years
- Fresh fruit & veg exports lowered \$300 million, partly due to smaller US orange harvest (down 12%) and falling tomato prices
- Processed fruit & veg exports raised \$100 million, partly on strength of dried beans
- Some decline in almond export value (lower prices) offset by higher pistachio sales; reduced pistachio market competition due to smaller Iranian harvest
- Food preps & alcoholic bevs up \$200 million on sales to Canada/EU

Wild Cards

- Will US exporters maintain market share despite stronger dollar?



AglImport Growth Slows in FY 2009

*Imports raised \$1.5 billion from November to \$82.5 billion
Forecast \$3.2 billion above last year's record \$79.3 billion*

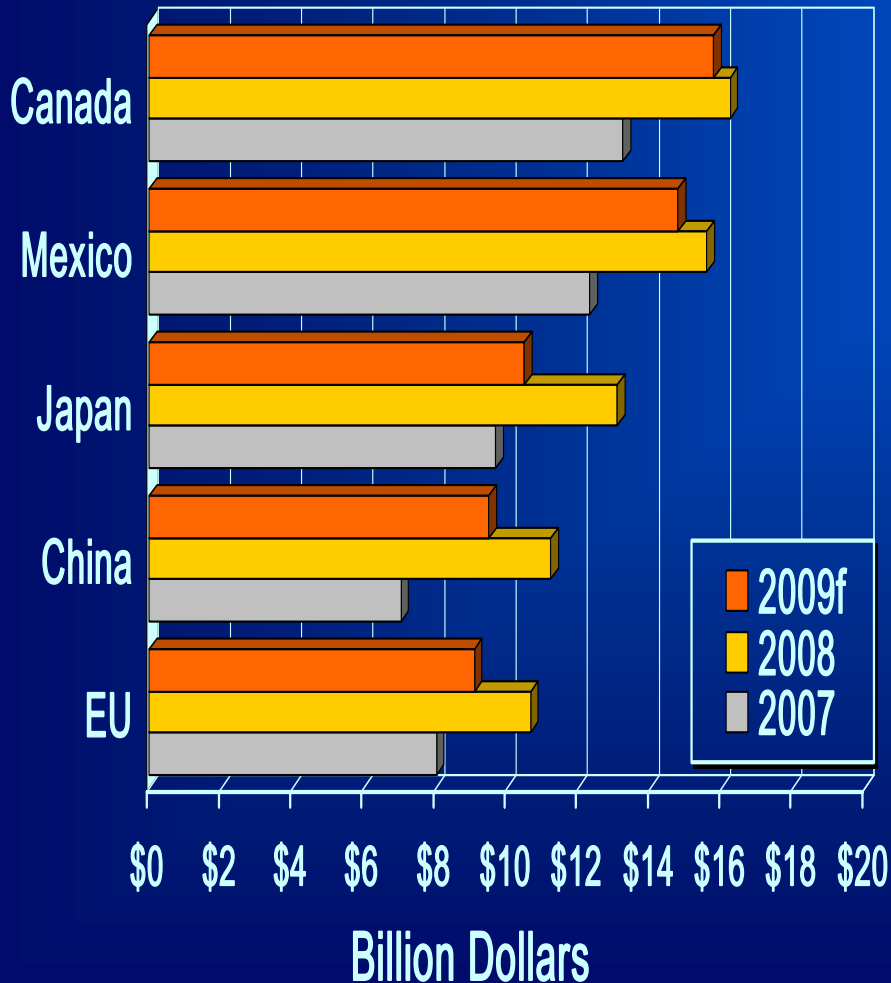
- ❑ US economy contracts in 2009 (real GDP growth averaged 2.6% 2005-07)
- ❑ Negative wealth effect with lower home values and falling stock market, unemployment rate passes 8%, and consumer spending contracts
- ❑ Some relief from sharply lower oil prices; stronger dollar lowers import costs

Key observations for FY 2009

- ❑ Import growth rate slows to 4%, the lowest in years, as volume gains slow, level off or even decline somewhat; recession-related volume declines expected for beer, fruit juices, maybe rubber
- ❑ Grains, oilseeds and products rise \$1.9 billion on increased volumes (small compared to \$4.5-billion increase last year with higher prices)
- ❑ Cattle shipments from Canada sharply lower, as Canadian cattle inventory is lowered and beef shipments from Canada rise
- ❑ Horticultural imports forecast at \$35.3 billion, up only \$600 million and the slowest increase in decades

Top Ag Markets and Ag Suppliers

Top Ag Markets...



Top Ag Suppliers...

